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\$3,500.00 ✓

OFFICE OF
INSURANCE COMMISSIONER

In the Matter of:)	No. D06-373
)	
AMERICAN GENERAL)	CONSENT ORDER
ASSURANCE COMPANY,)	IMPOSING A FINE
)	
An Authorized Insurer.)	
)	

Findings of Fact:

1. American General Assurance Company ("American General Assurance") is authorized to conduct insurance business in Washington State. It issues life and disability insurance.
2. On or about April 16, 2001, Thomas Barnes, then age 64, purchased a credit life insurance policy from American General Assurance, payable to the auto dealership where he was purchasing a 2001 Dodge Caravan. The insurance contract provided that upon death of the insured, the unpaid principal balance of the vehicle loan plus interest would be paid to the creditor.
3. The insurance coverage was in the amount of \$21,358.80 with monthly premium payments of \$373.84 to run for 72 months. By the terms of the contract, any termination before the end of the 72 month term, other than by performance of the insured contract, would result in a refund or credit of any amount paid by the insured for such coverage. The policy was limited to the insured's age at issue (64 years) plus term of debt (72 months) "not to exceed age 70." The expiration date, therefore, was April 28, 2007, when Mr. Barnes would have been seventy years old.
4. Mr. Barnes was asked by the dealership to sign, and did sign, an undated document acknowledging that the credit life policy in the amount of \$21,355.30 would only run for a term of 66 months. There was no explanation on the document of why the term of the insurance had been reduced.
5. Mr. Barnes died on June 6, 2003. The unpaid balance on his vehicle loan was then \$15,746.82. American General Assurance eventually paid \$10,547.58 on the claim. After Mr. Barnes' sister, Ms. Zimmerman, was unable to get the full amount of the claim paid, and because American General Assurance had repeatedly failed to respond to her inquiries, she made a consumer complaint to the Office of the Insurance Commissioner ("OIC") on February 22, 2005.



6. OIC requested that American General Assurance look into the matter and prepare a response to it by letter dated February 23, 2005. By letter dated March 17, 2005, and thereafter, American General Assurance acknowledged that it had reduced the amount it paid on the claim because of the reduction in the term of premium payments. It explained that the term of coverage had been reduced because by the original expiration date of April 28, 2007, Mr. Barnes would have been 70 years old, and ineligible for coverage under the policy limitation "Age at issue plus term of debt not to exceed age 70."

7. By letter dated August 2, 2005, OIC requested justification from American General Assurance for its reduction of the death benefit in contravention of the terms of the insurance contract. When American General Assurance failed to respond, OIC wrote another letter dated October 26, 2005, demanding a reply. On November 8, 2005, American General Assurance sent a response to OIC that repeated the same information contained in its previous letters and failed to explain its deviation from the terms of the policy.

8. By letter dated November 28, 2005, OIC rejected American General Assurance's attempted rationale, explaining that: 1) the death benefit cannot be changed due to a shortening of the term of the payments, 2) the only remedy provided for in the contract for terminating coverage is a refund, not a shortening of the payment period, and 3) "not to exceed age 70" means attaining age 71, not age 70. OIC demanded that American General Assurance pay the full unpaid balance of Mr. Barnes' vehicle loan plus interest. OIC cited WAC 284-30-360 and required a response by December 27, 2005 or earlier.

9. When American General Assurance failed to respond, OIC sent yet another letter dated January 6, 2006 demanding a complete response. By letter dated January 17, 2006, American General Assurance agreed to pay Mr. Barnes' estate the full contract amount. Payment in full was made by American General Assurance on January 20, 2006.

Conclusions of Law:

1. American General Assurance's reduction of the premium payment term and deviation from the stated death benefit without making such modification a part of the policy violated RCW 48.18.190

2. American General Assurance's erroneous interpretation of its contract language limiting coverage to "age of issue plus term of debt not to exceed age 70" as a basis for partial denial of the claim violated WAC 284-30-330(1).

3. American General Assurance's failure to acknowledge and act reasonably promptly upon communications from claimants violated WAC 284-30-330(2).

4. American General Assurance's failure to promptly provide a reasonable explanation of its partial denial of the claim violated WAC 284-30-330(13).

5. American General Assurance's repeated failures to respond promptly to OIC correspondence violated WAC 284-30-650.
6. RCW 48.05.185 permits the Commissioner to levy a fine in addition to or in lieu of revocation or suspension of an insurer's certificate of authority.

Consent to Order:

American General Assurance consents to the following, in order to resolve this matter without further administrative or judicial proceedings, and the Insurance Commissioner consents to resolve this matter in consideration of the insurer's payment of a fine as set forth below.

1. American General Assurance consents to entry of the foregoing Findings of Fact and Conclusions of Law, and acknowledges its duty to comply fully with the applicable laws of the State of Washington, and waive further administrative or legal challenge to the actions taken by the Insurance Commissioner related to the subject matter of this order.
2. Within thirty days of entry of this Order, American General Assurance will pay to the OIC a fine in the amount of \$ 3,500 (three thousand five hundred dollars).
3. If the fine is not timely paid in full, this will constitute grounds for the suspension or revocation of the certificate of authority held by American General Assurance in the State of Washington. It will also result in a civil action being filed by the Attorney General on behalf of the Insurance Commissioner, to recover the amount of the fine.

Executed this 28th day of November, 2006.

AMERICAN GENERAL ASSURANCE COMPANY

By: Lizbeth C. Aaron DiGiovanni

Printed Name: Lizbeth C. Aaron DiGiovanni

Printed Corporate Title: Assistant Secretary

Order:

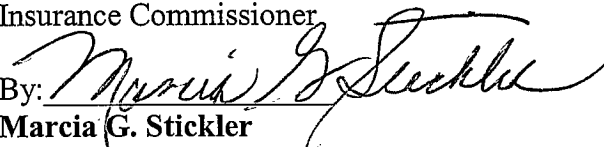
Pursuant to the foregoing Findings of Fact, Conclusions of Law, and Consent to Order, the Insurance Commissioner orders as follows:

1. American General Assurance Company is ordered to pay, within thirty days of the entry of this Order, a fine in the amount of \$ 3,500 (three thousand five hundred dollars).
2. Failure to timely pay the fine shall constitute grounds for suspension or revocation of the certificate of authority held by American General Assurance Company in Washington State. It

will also result in a civil action being brought by the Attorney General on behalf of the Insurance Commissioner, to collect the fine.

Executed this 7th day of December, 2006

MIKE KREIDLER
Insurance Commissioner

By: 

Marcia G. Stickler
Legal Affairs Division